

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



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C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold Tomlinson, Carroll County Judge/Executive

Members of the Carroll County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Carroll County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARROLL COUNTY FISCAL COURT

June 30, 2008

Peercy and Gray, PSC has completed the audit of the Carroll County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$15,437,754 as of June 30, 2008. In its governmental activities, the fiscal court had restricted net assets of \$20,393 and unrestricted net assets of \$8,742,436 as of June 30, 2008, with total net assets of \$15,313,999. In its business-type activities, total net cash and cash equivalents were \$123,755 with total net assets of \$123,755. The fiscal court had total debt principal as of June 30, 2008 of \$575,000 with \$85,000 due within the next year.

Report Comments:

- The Fiscal Court Should Record Fixed/Capital Assets In Accordance With The Approved Capitalization Policy

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carroll County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carroll County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2008 on our consideration of Carroll County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Fiscal Court Should Record Fixed/Capital Assets In Accordance With The Approved Capitalization Policy

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

October 24, 2008

CARROLL COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Harold Tomlinson	County Judge/Executive
Floyd Bowling	Magistrate
Dean Miller	Magistrate
Mark Bates	Magistrate

Other Elected Officials:

James Monk	County Attorney
Michael Humphrey	Jailer
Patti Mefford	County Clerk
Laman Stark	Circuit Court Clerk
Ben Smith	Sheriff
Rob Robertson	Property Valuation Administrator
Daniel Willoite	Coroner

Appointed Personnel:

Debra Cayton	County Treasurer
Traci Courtney	Occupational Tax Collector
Nicki Beckham	Finance Officer

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CARROLL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

CARROLL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,262,829	\$ 123,755	\$ 8,386,584
Loan Receivable	500,000		500,000
Total Current Assets	8,762,829	123,755	8,886,584
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	232,533		232,533
Buildings	3,778,724		3,778,724
Equipment	574,014		574,014
Vehicles	421,535		421,535
Infrastructure	2,119,364		2,119,364
Total Noncurrent Assets	7,126,170		7,126,170
Total Assets	15,888,999	123,755	16,012,754
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable	85,000		85,000
Total Current Liabilities	85,000		85,000
Noncurrent Liabilities:			
Revenue Bonds Payable	490,000		490,000
Total Noncurrent Liabilities	490,000		490,000
Total Liabilities	575,000		575,000
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,551,170		6,551,170
Restricted For:			
Debt Service	20,393		20,393
Unrestricted	8,742,436	123,755	8,866,191
Total Net Assets	\$ 15,313,999	\$ 123,755	\$ 15,437,754

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,277,861	\$ 2,125	\$ 148,451	\$
Protection to Persons and Property	2,211,101	829,445	1,335,001	50,150
General Health and Sanitation	314,451		20	
Social Services	81,125		60,566	
Recreation and Culture	642,550	50,904	283,433	
Roads	917,405		611,236	
Airports	6,000			
Interest on Long-term Debt	23,250			
Capital Projects	100,410			
Total Governmental Activities	6,574,153	882,474	2,438,707	50,150
Business-type Activities:				
Jail Canteen	36,012	53,622		
Total Business-Type Activities	36,012	53,622		
Total Primary Government	\$ 6,610,165	\$ 936,096	\$ 2,438,707	\$ 50,150

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Other Taxes

Excess Fees

Telephone 911 Fee

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,127,285)	\$	\$ (2,127,285)
3,495		3,495
(314,431)		(314,431)
(20,559)		(20,559)
(308,213)		(308,213)
(306,169)		(306,169)
(6,000)		(6,000)
(23,250)		(23,250)
(100,410)		(100,410)
(3,202,822)		(3,202,822)
	17,610	17,610
	17,610	17,610
(3,202,822)	17,610	(3,185,212)
211,975		211,975
334,309		334,309
97,243		97,243
3,213,828		3,213,828
32,105		32,105
58,204		58,204
61,932		61,932
663,447		663,447
146,989		146,989
4,820,032		4,820,032
1,617,210	17,610	1,634,820
13,696,789	106,145	13,802,934
\$ 15,313,999	\$ 123,755	\$ 15,437,754

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund	LGEA Fund
ASSETS					
Cash and Cash Equivalents	\$ 4,968,428	\$ 358,400	\$ 1,231,928	\$ 20,393	\$ 1,276,920
Loan Receivable	500,000				
Total Assets	<u>\$ 5,468,428</u>	<u>\$ 358,400</u>	<u>\$ 1,231,928</u>	<u>\$ 20,393</u>	<u>\$ 1,276,920</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 5,468,428	\$	\$	\$	\$
Special Revenue Funds		358,400	1,231,928		1,276,920
Debt Service Fund				20,393	
Total Fund Balances	<u>\$ 5,468,428</u>	<u>\$ 358,400</u>	<u>\$ 1,231,928</u>	<u>\$ 20,393</u>	<u>\$ 1,276,920</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

Ambulance Fund	Non- Major Funds	Total Governmental Funds
\$ 264,092	\$ 142,668	\$ 8,262,829
		500,000
<u>\$ 264,092</u>	<u>\$ 142,668</u>	<u>\$ 8,762,829</u>
\$ 264,092	\$ 142,668	\$ 5,468,428
		3,274,008
		20,393
<u>\$ 264,092</u>	<u>\$ 142,668</u>	<u>\$ 8,762,829</u>

**Reconciliation Of The Balance Sheet - Governmental Funds To The
Statement Of Net Assets**

Total Fund Balances	\$ 8,762,829
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	12,092,027
Accumulated Depreciation	(4,965,857)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Revenue Bonds Payable - Principal	<u>(575,000)</u>
Net Assets Of Governmental Activities	<u>\$ 15,313,999</u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
REVENUES				
Taxes	\$ 3,889,460	\$	\$	\$
Excess Fees	58,204			
Intergovernmental	86,594	611,236	1,288,878	61,857
Charges for Services	2,125		253,306	
Miscellaneous	419,833	153,545	82,227	
Interest	88,858	10,503	38,840	3,568
Total Revenues	<u>4,545,074</u>	<u>775,284</u>	<u>1,663,251</u>	<u>65,425</u>
EXPENDITURES				
General Government	554,696			
Protection to Persons and Property	229,162		1,075,298	
General Health and Sanitation	168,678			
Social Services	76,125			
Recreation and Culture	122,347			
Roads		1,183,315		
Bus Services	6,000			
Debt Service				108,250
Capital Projects	113,680		27,739	
Administration	584,307	162,244	461,985	2,317
Total Expenditures	<u>1,854,995</u>	<u>1,345,559</u>	<u>1,565,022</u>	<u>110,567</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,690,079</u>	<u>(570,275)</u>	<u>98,229</u>	<u>(45,142)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		576,769	8,570	
Transfers To Other Funds	(1,614,284)			(8,570)
Total Other Financing Sources (Uses)	<u>(1,614,284)</u>	<u>576,769</u>	<u>8,570</u>	<u>(8,570)</u>
Net Change in Fund Balances	1,075,795	6,494	106,799	(53,712)
Fund Balances - Beginning	4,392,633	351,906	1,125,129	74,105
Fund Balances - Ending	<u>\$ 5,468,428</u>	<u>\$ 358,400</u>	<u>\$ 1,231,928</u>	<u>\$ 20,393</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

LGEA Fund	Ambulance Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$ 61,932	\$ 3,951,392
			58,204
33,433		406,859	2,488,857
	576,139	50,904	882,474
	1,783	6,059	663,447
2,743	1,151	1,326	146,989
<u>36,176</u>	<u>579,073</u>	<u>527,080</u>	<u>8,191,363</u>
			554,696
14,207	539,193	195,378	2,053,238
		144,019	312,697
			76,125
75,585		427,145	625,077
			1,183,315
			6,000
			108,250
133,100	134,390		408,909
4,930	247,464	50,922	1,514,169
<u>227,822</u>	<u>921,047</u>	<u>817,464</u>	<u>6,842,476</u>
<u>(191,646)</u>	<u>(341,974)</u>	<u>(290,384)</u>	<u>1,348,887</u>
426,047	319,965	291,503	1,622,854
			(1,622,854)
<u>426,047</u>	<u>319,965</u>	<u>291,503</u>	
234,401	(22,009)	1,119	1,348,887
1,042,519	286,101	141,549	7,413,942
<u>\$ 1,276,920</u>	<u>\$ 264,092</u>	<u>\$ 142,668</u>	<u>\$ 8,762,829</u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

CARROLL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 1,348,887
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Assets Disposed Of - Net Book Value	(200,000)
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	937,610
Depreciation Expense	(554,287)
Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. However, these Amounts Decrease Non-current Liabilities on the Statement of Net Assets and Have Been Eliminated on the Statement of Activities.	
Revenue Bond Principal Payments	<u>85,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,617,210</u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

CARROLL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

	Business-Type Activities <hr/> Enterprise Fund <hr/> Jail Canteen Fund <hr/>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 123,755
Total Assets	<hr/> 123,755 <hr/>
Net Assets	
Unrestricted	123,755
Total Net Assets	<hr/> \$ 123,755 <hr/>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities <hr/> Enterprise Fund <hr/> Jail Canteen Fund <hr/>
Operating Revenues	
Canteen Receipts	\$ 53,622
Total Operating Revenues	<hr/> 53,622 <hr/>
Operating Expenses	
Educational and Recreational	36,012
Total Operating Expenses	<hr/> 36,012 <hr/>
Operating Income	<hr/> 17,610 <hr/>
Change In Net Assets	17,610
Total Net Assets - Beginning	106,145
Total Net Assets - Ending	<hr/> \$ 123,755 <hr/>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

CARROLL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities <hr/> Enterprise Fund <hr/> Jail Canteen Fund <hr/>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 53,622
Payments to Suppliers	<u>(36,012)</u>
Net Cash Provided By Operating Activities	<u>17,610</u>
Net Increase in Cash and Cash Equivalents	17,610
Cash and Cash Equivalents - July 1, 2007	<u>106,145</u>
Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 123,755</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	 Jail Canteen Fund
Operating Income	<u>\$ 17,610</u>
Net Cash Provided By Operating Activities	<u><u>\$ 17,610</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS

June 30, 2008

CARROLL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS

June 30, 2008

	<u>Agency Fund</u>
	<u>Jail</u>
	<u>Inmate</u>
	<u>Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 6,544
Total Assets	<u>\$ 6,544</u>
Liabilities	
Amounts Held In Custody For Others	\$ 6,544
Total Liabilities	<u>\$ 6,544</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Carroll County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Carroll County Public Properties Corporation

The Carroll County Public Properties Corporation was established for the purpose of providing long-term financing for approved projects. The Carroll County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Carroll County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Carroll County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carroll County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, subject to lien and sale the 3rd Saturday in April following the delinquency date.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for the general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants and recreational user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - This fund is used to account for the county emergency medical services activities. Revenues are received from patients and transfers from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of revenue bonds of the fiscal court. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: State Grants Fund, Solid Waste Fund, Parks and Recreation Fund, 911 Fund, and 911 Wireless Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Ambulance Fund, Solid Waste Fund, Park and Recreation Fund, 911 Fund, and 911 Wireless Fund are special revenue funds. These funds are used to account for the proceeds of specific revenues and expenditures that are legally restricted for specific purposes.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

The Public Properties Corporation Fund is a debt service fund and is used to account for the accumulation of resources for and payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account - This fund accounts for funds received from prisoners upon arrival at the Detention Center and remitted to the prisoners upon release.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-25

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers from are budgeted in the General Fund to comply with these requirements. The State Local Finance Officer does not require this fund to be budgeted.

The State Local Finance Officer does not require the Jail Canteen Fund or the Jail Inmate Account to be budgeted because the fiscal court does not approve the expenditures made from these funds.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy with regard to custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 432,533	\$	\$ (200,000)	\$ 232,533
Total Capital Assets Not Being Depreciated	432,533		(200,000)	232,533
Capital Assets, Being Depreciated:				
Buildings	5,493,375	33,100		5,526,475
Equipment	750,435	123,267		873,702
Vehicles	859,983	152,132		1,012,115
Infrastructure	3,818,091	629,111		4,447,202
Total Capital Assets Being Depreciated	10,921,884	937,610		11,859,494
Less Accumulated Depreciation For:				
Buildings	(1,633,368)	(114,383)		(1,747,751)
Equipment	(248,918)	(50,770)		(299,688)
Vehicles	(533,677)	(56,903)		(590,580)
Infrastructure	(1,995,607)	(332,231)		(2,327,838)
Total Accumulated Depreciation	(4,411,570)	(554,287)		(4,965,857)
Total Capital Assets, Being Depreciated, Net	6,510,314	383,323		6,893,637
Governmental Activities Capital Assets, Net	\$ 6,942,847	\$ 383,323	\$ (200,000)	\$ 7,126,170

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 8,996
Protection to Persons and Property	157,863
General Health and Sanitation	1,754
Social Services	5,000
Recreation and Culture	17,473
Roads, Including Depreciation of General Infrastructure Assets	363,201
Total Depreciation Expense - Governmental Activities	<u>\$ 554,287</u>

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 4. Long-term Debt

On September 17, 2002, the Carroll County Public Properties Corporation issued \$1,040,000 First Mortgage Revenue Bonds, Series 2002. The bonds were issued for the purpose of refunding the Carroll County Public Properties Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 1993, the proceeds of which were used to finance the construction of the Carroll County Justice Center. Interest is payable semi-annually on March 1 and September 1 of each year with a variable interest rate ranging from 1.45% to 3.90%. Principal payments are due on March 1 each year in the amounts stated below. The total principal balance outstanding as of June 30, 2008 was \$575,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 85,000	\$ 20,700
2010	90,000	17,980
2011	95,000	14,920
2012	100,000	11,595
2013	100,000	7,895
2014	105,000	4,095
Totals	<u>\$ 575,000</u>	<u>\$ 77,185</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 660,000	\$	\$ 85,000	\$ 575,000	\$ 80,000
Governmental Activities Long-term Liabilities	<u>\$ 660,000</u>		<u>\$ 85,000</u>	<u>\$ 575,000</u>	<u>\$ 80,000</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. The contribution requirements and the amounts contributed to CERS were \$312,805, \$250,655, and \$207,382, respectively, for the years ended June 30, 2008, 2007, and 2006.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 5. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

On February 24, 2000, the Carroll County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2008, Carroll County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Loan Receivable

On June 6, 2007, Carroll County Fiscal Court approved an interest free loan to Carroll County Memorial Hospital for \$1,000,000. This loan was repaid on December 17, 2007.

On February 1, 2008, Carroll County Fiscal Court approved an interest free loan to Carroll County Memorial Hospital for \$500,000 stating the total amount of the loan is due on December 31, 2008.

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,662,839	\$ 2,662,839	\$ 3,889,460	\$ 1,226,621
Excess Fees	187	187	58,204	58,017
Intergovernmental Revenue	68,686	68,686	86,594	17,908
Charges for Services	1,500	1,500	2,125	625
Miscellaneous	122,900	673,051	1,419,833	746,782
Interest	79,500	79,500	88,858	9,358
Total Revenues	<u>2,935,612</u>	<u>3,485,763</u>	<u>5,545,074</u>	<u>2,059,311</u>
EXPENDITURES				
General Government	771,919	769,266	554,696	214,570
Protection to Persons and Property	445,300	475,622	282,842	192,780
General Health and Sanitation	316,462	316,497	168,678	147,819
Social Services	83,810	85,239	76,125	9,114
Recreation and Culture	130,346	132,847	122,347	10,500
Bus Services	6,000	6,000	6,000	
Capital Projects	60,000	60,000	60,000	
Administration	1,227,951	1,701,468	1,084,307	617,161
Total Expenditures	<u>3,041,788</u>	<u>3,546,939</u>	<u>2,354,995</u>	<u>1,191,944</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(106,176)</u>	<u>(61,176)</u>	<u>3,190,079</u>	<u>3,251,255</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,611,784)</u>	<u>(1,611,784)</u>	<u>(1,614,284)</u>	<u>(2,500)</u>
Total Other Financing Sources (Uses)	<u>(1,611,784)</u>	<u>(1,611,784)</u>	<u>(1,614,284)</u>	<u>(2,500)</u>
Net Changes in Fund Balance	<u>(1,717,960)</u>	<u>(1,672,960)</u>	<u>1,575,795</u>	<u>3,248,755</u>
Fund Balance - Beginning	<u>1,717,960</u>	<u>1,717,960</u>	<u>3,392,633</u>	<u>1,674,673</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 45,000</u>	<u>\$ 4,968,428</u>	<u>\$ 4,923,428</u>

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 641,300	\$ 641,300	\$ 611,236	\$ (30,064)
Miscellaneous	2,000	130,238	153,545	23,307
Interest	14,600	14,600	10,503	(4,097)
Total Revenues	657,900	786,138	775,284	(10,854)
EXPENDITURES				
Roads	1,248,047	1,366,135	1,183,315	182,820
Administration	386,622	396,772	162,243	234,529
Total Expenditures	1,634,669	1,762,907	1,345,558	417,349
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(976,769)	(976,769)	(570,274)	406,495
OTHER FINANCING SOURCES (USES)				
Transfers In	576,769	576,769	576,769	
Total Other Financing Sources (Uses)	576,769	576,769	576,769	
Net Changes in Fund Balance	(400,000)	(400,000)	6,495	406,495
Fund Balance - Beginning	400,000	400,000	351,906	(48,094)
Fund Balance - Ending	\$ 0	\$ 0	\$ 358,401	\$ 358,401

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,232,377	\$ 1,232,377	\$ 1,288,878	\$ 56,501
Charges for Services	290,431	290,431	253,306	(37,125)
Miscellaneous	71,835	71,835	90,797	18,962
Interest	38,260	38,260	38,840	580
Total Revenues	<u>1,632,903</u>	<u>1,632,903</u>	<u>1,671,821</u>	<u>38,918</u>
EXPENDITURES				
Protection to Persons and Property	1,203,633	1,222,216	1,103,036	119,180
Administration	1,529,270	1,510,687	461,987	1,048,700
Total Expenditures	<u>2,732,903</u>	<u>2,732,903</u>	<u>1,565,023</u>	<u>1,167,880</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>106,798</u>	<u>1,206,798</u>
Net Changes in Fund Balance	(1,100,000)	(1,100,000)	106,798	1,206,798
Fund Balance - Beginning	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,125,130</u>	<u>25,130</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,231,928</u>	<u>\$ 1,231,928</u>

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 52,000	\$ 52,000	\$ 33,433	\$ (18,567)
Interest	1,700	1,700	2,743	1,043
Total Revenues	<u>53,700</u>	<u>53,700</u>	<u>36,176</u>	<u>(17,524)</u>
EXPENDITURES				
Protection to Persons and Property	14,208	14,208	14,207	1
Recreation and Culture	135,493	135,493	108,685	26,808
Capital Projects	1,350,000	1,350,000	100,000	1,250,000
Administration	5,046	5,046	4,928	118
Total Expenditures	<u>1,504,747</u>	<u>1,504,747</u>	<u>227,820</u>	<u>1,276,927</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,451,047)</u>	<u>(1,451,047)</u>	<u>(191,644)</u>	<u>1,259,403</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	426,047	426,047	426,047	
Total Other Financing Sources (Uses)	<u>426,047</u>	<u>426,047</u>	<u>426,047</u>	
Net Changes in Fund Balance	(1,025,000)	(1,025,000)	234,403	1,259,403
Fund Balance - Beginning	<u>1,025,000</u>	<u>1,025,000</u>	<u>1,042,518</u>	<u>17,518</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,276,921</u>	<u>\$ 1,276,921</u>

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 470,000	\$ 470,000	\$ 576,139	\$ 106,139
Miscellaneous	4,100	4,100	1,783	(2,317)
Interest	1,300	1,300	1,151	(149)
Total Revenues	475,400	475,400	579,073	103,673
EXPENDITURES				
Protection to Persons and Property	742,934	747,133	673,583	73,550
Administration	302,431	298,232	247,464	50,768
Total Expenditures	1,045,365	1,045,365	921,047	124,318
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(569,965)	(569,965)	(341,974)	227,991
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	319,965	319,965	319,965	
Total Other Financing Sources (Uses)	319,965	319,965	319,965	
Net Changes in Fund Balances	(250,000)	(250,000)	(22,009)	227,991
Fund Balances - Beginning	250,000	250,000	286,101	36,101
Fund Balances - Ending	\$ 0	\$ 0	\$ 264,092	\$ 264,092

CARROLL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of the General Fund

Total Revenues-Budgetary Basis	\$ 5,545,074
To Record Prior Year Loan To Hospital Repaid	<u>(1,000,000)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ 4,545,074</u>
Total Expenditures-Budgetary Basis	\$ 2,354,995
To Record Current Year Loan To Hospital	<u>(500,000)</u>
Total Expenditures-Modified Cash Basis	<u>\$ 1,854,995</u>
Total Beginning Fund Balance-Budgetary Basis	\$ 3,392,633
To Record Prior Year Loan To Hospital	<u>1,000,000</u>
Total Beginning Fund Balance-Modified Cash Basis	<u>\$ 4,392,633</u>

Reconciliation of the Jail Fund

Total Revenues-Budgetary Basis	\$ 1,671,821
To Reclass Transfer of Debt Payments	<u>(8,570)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ 1,663,251</u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ 0
To Reclass Transfer of Debt Payments	<u>8,570</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ 8,570</u>

CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	State Grants Fund	Solid Waste Fund	Parks and Recreation Fund	911 Fund	911 Wireless Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 10,256	\$ 51,126	\$ 964	\$ 31,318	\$ 49,004	\$ 142,668
Total Assets	<u>\$ 10,256</u>	<u>\$ 51,126</u>	<u>\$ 964</u>	<u>\$ 31,318</u>	<u>\$ 49,004</u>	<u>\$ 142,668</u>
FUND BALANCES						
Unreserved:						
Special Revenue Funds	<u>\$ 10,256</u>	<u>\$ 51,126</u>	<u>\$ 964</u>	<u>\$ 31,318</u>	<u>\$ 49,004</u>	<u>\$ 142,668</u>
Total Fund Balances	<u>\$ 10,256</u>	<u>\$ 51,126</u>	<u>\$ 964</u>	<u>\$ 31,318</u>	<u>\$ 49,004</u>	<u>\$ 142,668</u>

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CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	State Grants Fund	Solid Waste Fund	Parks and Recreation Fund	911 Fund
REVENUES				
Taxes	\$	\$	\$	\$ 61,932
Intergovernmental	310,566	20		
Charges For Services			50,904	
Miscellaneous			5,275	40
Interest		278	94	808
Total Revenues	<u>310,566</u>	<u>298</u>	<u>56,273</u>	<u>62,780</u>
EXPENDITURES				
Protection to Persons and Property				61,678
General Health and Sanitation	41,994	102,025		
Recreation and Culture	258,316		168,829	
Administration		26,526	24,396	
Total Expenditures	<u>300,310</u>	<u>128,551</u>	<u>193,225</u>	<u>61,678</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>10,256</u>	<u>(128,253)</u>	<u>(136,952)</u>	<u>1,102</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		153,971	137,532	
Total Other Financing Sources (Uses)		<u>153,971</u>	<u>137,532</u>	
Net Change in Fund Balances	10,256	25,718	580	1,102
Fund Balances - Beginning		25,408	384	30,216
Fund Balances - Ending	<u>\$ 10,256</u>	<u>\$ 51,126</u>	<u>\$ 964</u>	<u>\$ 31,318</u>

CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

911 Wireless Fund	Total Non-Major Governmental Funds
\$	\$ 61,932
96,273	406,859
	50,904
744	6,059
146	1,326
<u>97,163</u>	<u>527,080</u>
133,700	195,378
	144,019
	427,145
	50,922
<u>133,700</u>	<u>817,464</u>
<u>(36,537)</u>	<u>(290,384)</u>
	291,503
	<u>291,503</u>
(36,537)	1,119
85,541	141,549
<u>\$ 49,004</u>	<u>\$ 142,668</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Peercy and gray, PSC
Certified Public Accountants
2300 Hurstbourne Village Drive, Suite 500
Louisville, Kentucky 40299
Phone: (502) 493-1090
FAX: (502) 493-7231

The Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 24, 2008. Carroll County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carroll County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Fiscal Court Should Record Fixed/Capital Assets In Accordance With The Approved Capitalization Policy

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Carroll County's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

October 24, 2008

**CARROLL COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2008

**CARROLL COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

The Fiscal Court Should Record Fixed/Capital Assets In Accordance With The Approved Capitalization Policy

During our review of fixed/capital assets, we discovered the following:

- The disposal of the land in the amount of \$200,000 was not recorded on the fixed/capital asset listing.
- Building Improvements in the amount of \$33,100 were not recorded on the fixed/capital asset listing.
- Equipment in the amount of \$123,267 was not recorded on the fixed/capital asset listing.
- Vehicles in the amount of \$152,132 were not recorded on the fixed/capital asset listing.
- Infrastructure in the amount of \$629,111 was not recorded on the fixed/capital asset listing.
- Depreciation expense in the amount of \$554,287 was not recorded on the fixed/capital asset listing.

The financial statements have been adjusted for these omissions.

We recommend the Fiscal Court implement procedures to ensure that all fixed/capital assets are recorded in accordance with the approved Capitalization Policy.

Response: Carroll County Fiscal Court passed the GASB 34 – Capitalization Policy 05/16/2005. This report is updated yearly. We have now set 06/30 fiscal year end to update this policy prior to yearly audit.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CARROLL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2008**

CERTIFICATION OF COMPLIANCE

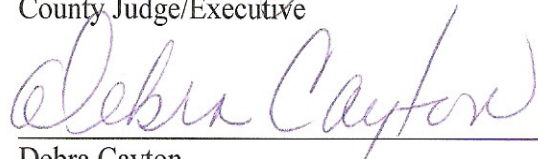
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CARROLL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Carroll County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Harold "Shorty" Tomlinson
County Judge/Executive


Debra Cayton
County Treasurer

